

MONTANA BOARD OF HOUSING

First Interstate Bank  
202 W Main St  
Bozeman MT 59715  
February 13, 2006

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)  
Judy Glendenning, Vice Chairman (Present)  
J.P. Crowley, Secretary (Present)  
Susan Moyer (Present)  
Audrey Black Eagle (Present)  
Jeff Rupp (Present)  
Betsy Scanlin (Present)

STAFF: Bruce Brensdal, Executive Director  
Mat Rude, Multifamily Program Manager  
Chuck Nemec, Accounting & Finance Manager  
Nancy Leifer, Homeownership Program Manager  
Jeannene Maas, Homeownership Program Specialist  
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

OTHERS: Gordon Hoven, Piper Jaffray  
Kelly Bailey, Wells Fargo Home Mortgage  
Jerry Petasek, North Missoula Community Dev Corp  
Deborah Chorlton, USDA Rural Development  
Thomas Atkins, USDA Rural Development  
Chic Hoenig, Intermountain Mortgage  
A J Hoenig, Stockman Bank  
Mike Money, Big Sky Western Bank  
Sharla Samuels, Bank of the Rockies  
Carla Berger, First Interstate Bank  
Sheila Rice, NHS/MHN  
Jan Bergman, First Interstate  
Ann King, First Interstate  
Caren Roberty, HRDC  
Mandy Drysdale, Senator Baucus  
Tim German, Sparrow Group  
Michelle Kitch, Mountain West Bank  
Patty Kieker, Mountain West Bank

Verne Klingensmith, CAHAB-Bozeman  
Connie Garrett, Century 21 Summit –Realtor  
Susy Fossum, First Interstate – Livingston  
Cassandra Koket,  
Jerilee Brooks, Fannie Mae  
Mary Lou Affleck, Fannie Mae  
Tracy Meneuz, HRDC

### **CALL MEETING TO ORDER & APPROVAL OF MINUTES**

Chairman Bob Thomas called the meeting to order at 8:30 a.m. Judy Glendenning moved to approve the January 10, 2006 Board minutes and the Conference Call minutes for January 23 and 25, 2006. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

### **PUBLIC COMMENTS**

Mr. Thomas asked the Board, staff, and guests to introduce themselves. Caren Roberty of HRDC talked about the issues of rapid development and high cost areas. She expressed the need for mechanism for localities to purchase land and encourage the Board to look for models and tools from other states that could be tweaked for Montana.

Mike Money commented that the lack of affordable housing situation is spreading to the rural communities also. He said the challenge is to build a sustainable program that will feed off itself possibly through grants or low interest loans to deal with the growth issue.

Bruce Brensdal gave a brief summary of the Housing Task Force which is a work group that is looking at the Housing Revolving Loan Fund. The Revolving Loan Fund was set up by the Legislature in 1999 and currently does not have a revenue source. The group would like to identify revenue sources so it can be used for housing activities such as purchasing land or grant financing to serve very low-income people.

Betsy Scanlin mentioned that developers have an obligation for on-site lots or funds toward land costs. She said that it is a political issue, but we may have the environment where it might work.

Vern Klingensmith said the consequences of the huge land costs hinder service people from living in the area. Nancy Leifer gave an update on the Teacher's Program in Ravalli County. The bank helps with a shared appreciation mortgage to provide a second mortgage for teachers. Manhattan State Bank is interested in a similar program.

Connie Garrett of Century 21 shared several stories of purchases of a first-time home. She said borrowers have pride in homeownership and land trusts only lease land and borrowers want to own land. She suggested requiring deed restrictions on condos. Education is needed. She encouraged realtors to donate a small commission.

Chic Hoenig of Intermountain Mortgage commented on the 35% rule. Manufactured homes have too few lots available and the rule makes loans upside down. He encouraged the Board to revisit the 35% rule.

## **MULTIFAMILY PROGRAM**

Mat Rude gave preliminary information on the tax credit applications for 11 projects. Today he gave the Board the architectural drawings that were submitted.. He also gave them a spreadsheet showing how many units are being targeted at 60%, 50%, and 40% of AMI, developer fees, total cost fees, amount of tax credits requested, equity getting out of credits, % of tax credits to total cost of the project, management fee, and per unit cost.

Mat said there will be a Qualified Allocation Plan (QAP) workshop on May 15<sup>th</sup> & 16<sup>th</sup> in Butte.

Mat presented a summary of the last six Reverse Annuity Mortgage (RAM) loans. The average age of RAM borrowers is 78 years. Staff is researching data to determine if purchase prices or lump sum payment should be raised.

Mat informed the Board that he was asked to participate in Leadership Montana. Susan Moyer encouraged him and Bruce addressed administrative details.

## **PROMOTIONAL PROGRAM**

Bruce Brensdal informed the Board that Jeannie Huntley's position will be advertised soon. He presented the Housing Division highlights for the months of January and also a fact sheet on Cooperative Housing. Betsy Scanlin inquired about the possibilities of advancing the idea of a coop for parties interested in things like a land cooperative for a trailer park. Nancy Leifer said there is a potential for an HRDC project for a cooperative manufactured home coop in St. Regis. Bond counsel said it is a possibility, but Montana Board of Housing (MBOH) would be in a riskier position than they have been in the past. Lot size is an issue.

## **HOMEOWNERSHIP PROGRAM**

The REO report shows one property listed. The renovations are completed and the HRDC is in the process of finding a buyer.

The new Mortgage Credit Certificates (MCC) program has just started, so no credits have been issued.

The 2005 A bond issue has been completely reserved and there will be approximately 865 loans purchased.

Sheila Rice from Neighborhood Housing Services was available for questions regarding the HUD grant. The program has been refunded this year with \$150,000 of HUD dollars for statewide homebuyer education. The board has authorized \$200,000 and this will be addressed at the March meeting. Jeff Rupp asked to be part of the working group to have a chance to participate in the design, address concerns, and have more input and flexibility.

Nancy Leifer presented a chart that shows MBOH hit the market at a very good time for the 2006 A bond issue. Bonds bottomed out in the second or third week of January and then started up again.

The board met on the 10<sup>th</sup> and staff got the bonds ready one week later and caught the bond market on the upswing. The overall blended rate was 4.67%.

Nancy informed the Board the money is going out the door very steadily at a quicker pace than it did last year. MBOH has committed about \$18.3 million of those funds, which leaves about \$31.7 million left to be committed. The Bridge Program used up \$5.8 million for purchases so far.

Nancy pointed out the MBOH interest rate has been about ½% under the market rate. Bloomberg has been running around 5.8%, 5.81%, and 5.82% the last week or two and American Federal in Helena has been lending between 6.125% and 6.0%. So, we are still right in the range we want to be in.

Nancy Leifer presented a memo regarding the 35% limitation on land value because two loans had come in for purchase in two days that did not meet this limitation. Current Board policy requires that the land value constitute no more than 35% of the total loan amount. This policy was put into place many years ago to comply with IRS regulations prohibiting use of MRB funds for income-producing investments. The Board discussed a number of issues related to the high cost of land, including: how to create affordability in high cost areas; MBOH's ability to affect the housing market; land value and hazard insurance coverage; sprawl; density of housing construction; septic systems and wells in comparison to municipal water and sewer; information on appraisal forms; Rural Development (RD) criteria for exceeding 30% land to appraised value; a 60-day trial period on a case-by-case basis for exceptions; lot and land values; urban and rural development models; and subdivision rules. Judy Glendenning moved that the percentage be raised to 45% on a case-by-case basis using RD criteria: no potential subdivision of the lot; clear access to property; land not income-producing; land cannot exceed 10 acres; size of lot is customary for housing in the area. J.P. Crowley seconded the motion. The Chairman asked for public comments. A roll call vote was called for. The motion failed with Susan, Betsy, Audrey, Jeff, and J.P. voting No, while Judy and Bob Thomas voted Yes. The Board asked for this issue to be revisited at the next meeting.

Nancy Leifer gave the set-aside report which has \$28,192,323 committed to set-asides. She requested an additional \$1 million for Habitat for Humanity to expire the end of 2006. Betsy Scanlin moved to approve the additional \$1 million for Habitat for Humanity. Jeff seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Deborah Chorlton of Rural Development updated the Board on the RD set-asides. The Mutual Self-Help Program was only needed one time and RD surrendered the funds for that setaside.

The RD Leveraged Loan setaside has purchased 239 loans for a total of \$6.8 million. Average loan size was about \$27,000 with an average borrower income of \$21,600 annually. This particular set-aside was a very successful set-aside for several years until last year when the RD National Office implemented more stringent rules for loan leveraging that essentially eliminated MBOH lending in the program. Deborah thanked the Board for their adoption of the conventional mortgage financing because that has opened the doors for RD to resurrect our leveraging program. After this meeting, RD is teaming up with MBOH and Fannie Mae to discuss the My Community Mortgage Program, which is geared to teachers, healthcare and emergency professionals.

Jerry Petasek from the North Missoula Community Development Corporation gave a 20-30 minute slide show presentation. Nancy explained that we have a set-aside for the North Missoula Community Development Corporation. Jerry's presentation is about what they are actually doing

with the land trust in Missoula and a little generic information about how land trusts work.

Nancy Leifer introduced Tracy Menezes from HRDC in Bozeman. Tracy discussed the plans of the City of Bozeman for a project called Work Force Housing. They are considering a variety of options with this in addition to land trusts; they are considering resale options. She said community land trusts work really well when you have an actual community that wants to be built. MSU has a desire to put together an employee land trust. When you have a lot of individual buyers that just want to come in and buy homes, sometimes community land trusts aren't the best solution for them. The HRDC is hoping they can work with MBOH to put together a hybrid of all the solutions that work: the land trust concept, also working on the deed restriction, and resale. Tracy said they are working at the city level to cap the appreciation which is similar to deed restriction and limit the amount of appreciation they can take out each year tied to local indicators. This would mean less windfall equity. Their biggest goal is to pick a control mechanism and a control period that still makes it attractive to people, because the more options they have, the harder we have to work to make any kind of limited equity model attractive. People commute from Livingston every day because they have more attractive options. In the end, it costs Bozeman more because they are using our roads, our services, and then they are going home somewhere else. The HRDC wants MBOH to continue to explore a lot of different options, especially conversation about the cost of land and consider where money can come from on a large scale to make an impact.

### **EXECUTIVE DIRECTOR**

Bruce Brensdaal provided more information on the bond issues and the underwriters. The direction the Board has provided in the past and what is important is the in-state retail how our co-managers are performing. The Board indicated they are not dissatisfied with the current co-manager team, but wants Bruce to invite any interested underwriters to present to the Board what they might be able to do for the Board that we are not getting now.

The next meeting is scheduled for March 20<sup>th</sup> in Helena. Meetings are tentatively planned for April 10<sup>th</sup> in Hardin, May 8<sup>th</sup> in Havre, June 6<sup>th</sup> in Helena and July 10<sup>th</sup> in Sidney.

The meeting adjourned at 12:30 p.m.

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J. P. Crowley, Secretary

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Date